

**Mitchell Township
Alcona County, Michigan
Financial Report
With Supplemental Information
March 31, 2008**

Mitchell Township

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Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

INDEPENDENT AUDITOR'S REPORT

Township Board
Mitchell Township
Alcona County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mitchell Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell Township as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 21-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell Township's basic financial statements. The accompanying pages of other supplemental information, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
August 4, 2008

Management's Discussion and Analysis

As management of Mitchell Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$717,168 (*net assets*). Of this amount, \$237,182 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$6,488.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$161,656, an increase of \$2,765 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$140,779 or 125% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, community/economic development and culture and recreation. The Township does not have any business-type activities as of and for the year ended March 31, 2008.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Fire Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$717,168 at the close of the most recent fiscal year.

A portion of the Township's net assets (67%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

Governmental Activities

	March 31 2008	March 31 2007
Assets		
Current and Other Assets	\$ 366,132	\$ 231,909
Capital Assets, Net	479,986	481,269
Total Assets	<u>846,118</u>	<u>713,178</u>
Liabilities		
Current Liabilities	1,427	2,498
Long Term Liabilities	-	-
Total Liabilities	<u>1,427</u>	<u>2,498</u>
Net Assets		
Invested in Capital Assets	479,986	481,269
Unrestricted	<u>237,182</u>	<u>229,411</u>
Total Net Assets	\$ <u>717,168</u>	\$ <u>710,680</u>

The Township's net assets increased by \$6,488 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$7,771 or 3%, during fiscal year 2008.

Township's Changes in Net Assets

Governmental Activities

	<u>March 31 2008</u>	<u>March 31 2007</u>
Revenue		
Program Revenue		
Charges for Services	\$ 6,440	\$ 5,108
Operating Grants and Contributions	35,027	126,522
General Revenue:		
Property Taxes	97,233	91,685
State-Shared Revenues	30,271	27,048
Interest Earnings	9,158	7,431
Other	<u>5,878</u>	<u>2,904</u>
Total Revenue	184,007	260,698
Expenses		
General Government	98,839	98,375
Public Safety	60,667	52,722
Public Works	4,878	2,694
Community/Economic Development	12,442	5,128
Culture and Recreation	<u>693</u>	<u>545</u>
Total Expenses	<u>177,519</u>	<u>159,464</u>
Increase (Decrease) in Net Assets	6,488	101,234
Net Assets, Beginning of Year	<u>710,680</u>	<u>609,446</u>
Net Assets, End of Year	\$ <u>717,168</u>	\$ <u>710,680</u>

Governmental activities. The Township's total governmental revenues decreased by \$76,691 from last fiscal year. This was primarily attributed to less revenue from grants. Expenses increased by \$18,055. The increase was primarily due to increased public safety and community/economic development expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$237,182, an increase of \$7,771 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 91% of this total amount or \$216,305.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 125% and total fund balance represents 144% of total general fund expenditures.

The fund balance of the General Fund increased by \$2,765 during the current fiscal year.

The Fire Fund levied .7500 mills of property tax for fire protection for the year ending March 31, 2008. The property tax generated \$45,160 of revenue for fire protection services. The fund balance of the fire fund increased by \$5,006 during the current fiscal year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General and Fire Funds. Each of the budgeted funds was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$479,986 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$32,047 for the fiscal year.

Township's Capital Assets (net of depreciation)

	March 31 2008	March 31 2007
Land	\$ 5,000	\$ 5,000
Buildings	21,280	22,234
Equipment	6,592	5,940
Land Improvements - Fire Dept	7,430	8,024
Buildings - Fire Dept	97,056	95,800
Equipment - Fire Dept	270,039	267,598
Park Improvements	4,220	4,460
Infrastructure	68,369	72,213
Total	\$ 479,986	\$ 481,269

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2008-2009 fiscal year:

- The Township is anticipating a slight decrease in General Fund revenues in the amount of \$1,300. General Fund expenses have been decreased \$13,000. The decreases are in the areas of the Township Board and Planning Commission. The Fire Fund anticipates a decrease in revenue due to a decrease in grants, both Federal and State. The Fire Fund expenses have been decreased to reflect the lack of Federal and State grants. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mitchell Township
6849 W. Tower Road
Curran, Michigan 48728

Basic Financial Statements

Mitchell Township
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 136,095
Receivables: (Note 4)	
Other	-
Intergovernmental	11,605
Due from Fiduciary Fund	90,909
Capital assets-net (Note 5)	<u>479,986</u>
 Total assets	 <u>718,595</u>
 Liabilities	
Current Liabilities:	
Accounts payable	<u>1,427</u>
 Total liabilities	 <u>1,427</u>
 Net Assets	
Invested in capital assets	479,986
Unrestricted	<u>237,182</u>
 Total net assets	 \$ <u><u>717,168</u></u>

See accompanying notes to financial statements.

Mitchell Township
Statement of Activities
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 98,839	\$ 5,240	\$ 11,305	\$ (82,294)
Public safety	60,667	1,200	23,722	(35,745)
Public works	4,878	-	-	(4,878)
Comm./econ. development	12,442	-	-	(12,442)
Culture and recreation	693	-	-	(693)
Total governmental activities	<u>\$ 177,519</u>	<u>\$ 6,440</u>	<u>\$ 35,027</u>	<u>(136,052)</u>
General Revenues:				
Property taxes - operating				52,146
Property taxes - fire				45,087
State-shared revenues				30,271
Interest and investment earnings				9,158
Other				<u>5,878</u>
Total general revenues				<u>142,540</u>
Change in Net Assets				<u>6,488</u>
Net assets - beginning of year				<u>710,680</u>
Net assets - end of year				<u>\$ 717,168</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 7,771
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (28,330)
Capital outlay	<u>32,046</u>
	3,716
Government funds report only the proceeds of the sale of capital assets, not factoring in the net book value	<u>(4,999)</u>
Change in Net Assets of Governmental Activities	<u>\$ 6,488</u>

See accompanying notes to financial statements.

Mitchell Township
Governmental Funds
Balance Sheet
March 31, 2008

	General Fund	Fire Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 105,247	\$ 30,848	\$ 136,095
Accounts receivable	-	-	-
Property taxes receivable	-	-	-
Due from other funds	49,276	41,633	90,909
Due from other governmental units	8,130	3,475	11,605
Total assets	<u>\$ 162,653</u>	<u>\$ 75,956</u>	<u>\$ 238,609</u>
Liabilities			
Accounts payable	\$ 997	\$ 430	\$ 1,427
Due to other funds	-	-	-
Due to other governments	-	-	-
Total liabilities	<u>997</u>	<u>430</u>	<u>1,427</u>
Fund balances			
Reserved:			
Roads	18,716	-	18,716
Metro Act	2,161	-	2,161
Unreserved:			
Undesignated:			
General Fund	140,779	-	140,779
Fire Fund	-	75,526	75,526
Total fund balances	<u>161,656</u>	<u>75,526</u>	<u>237,182</u>
Total liabilities and fund balances	<u>\$ 162,653</u>	<u>\$ 75,956</u>	<u>\$ 238,609</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 237,182
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	609,947
Accumulated depreciation is	(129,961)
Net Assets of Governmental Activities	<u><u>\$ 717,168</u></u>

See accompanying notes to financial statements.

Mitchell Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2008

	General Fund	Fire Fund	Total Governmental Funds
Revenues			
Taxes and fees	\$ 52,146	\$ 45,087	\$ 97,233
Licenses and permits	840	-	840
Federal grants	11,305	19,522	30,827
State grants	30,271	4,200	34,471
Charges for services	3,650	1,200	4,850
Interest and rentals	8,887	1,021	9,908
Other revenue	8,131	2,746	10,877
Total revenues	<u>115,230</u>	<u>73,776</u>	<u>189,006</u>
Expenditures			
Current:			
General government	95,948	-	95,948
Public safety	-	39,312	39,312
Public works	1,034	-	1,034
Community/economic development	12,442	-	12,442
Culture and recreation	453	-	453
Other	-	-	-
Capital outlay	2,588	29,458	32,046
Total expenditures	<u>112,465</u>	<u>68,770</u>	<u>181,235</u>
Excess of Revenues Over (Under)			
Expenditures	2,765	5,006	7,771
Fund balance - April 1, 2007	<u>158,891</u>	<u>70,520</u>	<u>229,411</u>
Fund balance - March 31, 2008	<u><u>\$ 161,656</u></u>	<u><u>\$ 75,526</u></u>	<u><u>\$ 237,182</u></u>

See accompanying notes to financial statements.

Mitchell Township
Fiduciary Funds
Statement of Net Assets
March 31, 2008

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ 90,909
Investments - at fair value	-
Due from other funds	-
	<hr/>
Total assets	\$ 90,909
	<hr/> <hr/>
Liabilities	
Accounts payable	\$ -
Due to other funds	90,909
Due to other governments	-
Due to individuals	-
	<hr/>
Total liabilities	\$ 90,909
	<hr/> <hr/>
Net Assets	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mitchell Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, Federal and State grants restricted for providing fire protection services and purchasing fire equipment.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$559,415,967. The 2007 tax levy was .5242 mills for general operations raising \$31,146 for general operating purposes, .7500 mills for fire protection raising \$45,160 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township had a reserved fund balance at March 31, 2008 of \$18,716 for road expenses and \$2,161 for Metro Act expenses. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2008.

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General Government:			
Board of Review	\$ 1,200	\$ 1,310	\$ 110
Township Hall	9,600	10,199	599
Public Works:			
Street lighting	-	1,034	1,034
Recreation and Culture			
Park	400	453	53

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Mitchell Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Mitchell Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 136,095	\$ 90,909	\$ 227,004
Investments	-	-	-
Total	<u>\$ 136,095</u>	<u>\$ 90,909</u>	<u>\$ 227,004</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings)	\$ 227,004
Investments	-
Total	<u>\$ 227,004</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$200,000 is covered by federal depository insurance.

Note 4 - Receivables

Receivables as of year-end for the Township's major funds, non-major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

	General Fund	Fire Fund	Tax Coll. Fund	Total
Receivables:				
Other	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	8,130	3,475	-	11,605
	<u>\$ 8,130</u>	<u>\$ 3,475</u>	<u>\$ -</u>	<u>\$ 11,605</u>

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Buildings	54,328	-	-	54,328
Equipment	10,356	2,589	-	12,945
Land improvements - fire department	11,888	-	-	11,888
Buildings - fire department	134,000	4,776	-	138,776
Equipment - fire department	286,653	24,682	6,000	305,335
Park improvements	4,800	-	-	4,800
Infrastructure	76,875	-	-	76,875
Subtotal	<u>578,900</u>	<u>32,047</u>	<u>6,000</u>	<u>604,947</u>
Accumulated Depreciation				
Buildings	32,094	954	-	33,048
Equipment	4,416	1,937	-	6,353
Land improvements - fire department	3,864	594	-	4,458
Buildings - fire department	38,200	3,520	-	41,720
Equipment - fire department	19,055	17,241	1,000	35,296
Park improvements	340	240	-	580
Infrastructure	4,662	3,844	-	8,506
Subtotal	<u>102,631</u>	<u>28,330</u>	<u>1,000</u>	<u>129,961</u>
Net capital assets being depreciated	<u>476,269</u>	<u>3,717</u>	<u>5,000</u>	<u>474,986</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 481,269</u>	<u>\$ 3,717</u>	<u>\$ 5,000</u>	<u>\$ 479,986</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,891
Public safety	21,355
Public works	3,844
Culture & recreation	240
Total governmental activities	<u>\$ 28,330</u>

Mitchell Township
Notes to Financial Statements
March 31, 2008

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 49,276	Fiduciary Fund	\$	90,909
Fire Fund	41,633			
Total	\$ <u>90,909</u>	Total	\$	<u>90,909</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
None		None		

Note 7 - Risk Management

Mitchell Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Mitchell Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Lappan Insurance Agency, Inc.. which invests the Township's contributions with an insurance company. The investments consist of individual retirement annuities.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 14.0% of the participant's earnings. The contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended March 31, 2008 was approximately \$43,738. The payroll of the eligible participants was \$29,050; the Township made the required contribution of \$4,067.

No pension provision changes occurred during the year affected the required contributions to be made by the Township.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Required Supplemental Information

Mitchell Township
 Budgetary Comparison Schedule - General Fund
 Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with
	3/31/08	3/31/08	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 97,193	\$ 97,193	\$ 158,891	\$ 61,698
Resources (Inflows)				
Taxes and fees	50,000	50,000	52,146	2,146
Licenses and permits	1,000	1,000	840	(160)
Federal grants	6,000	6,000	11,305	5,305
State grants	28,000	28,000	30,271	2,271
Intergovernmental	5,100	5,100	-	(5,100)
Charges for services	600	600	3,650	3,050
Interest and rentals	4,500	4,500	8,887	4,387
Other	7,200	7,000	8,131	1,131
Amounts available for appropriation	<u>199,593</u>	<u>199,393</u>	<u>274,121</u>	<u>74,728</u>
Charges to Appropriations (Outflows)				
General government	108,800	113,153	95,948	(17,205)
Public works	500	500	1,034	534
Community/economic development	5,800	20,100	12,442	(7,658)
Culture and recreation	400	400	453	53
Other	2,600	2,600	-	(2,600)
Capital outlay	-	4,000	2,588	(1,412)
Total charges to appropriations	<u>118,100</u>	<u>140,753</u>	<u>112,465</u>	<u>(28,288)</u>
Fund Balance - end of year	\$ <u>81,493</u>	\$ <u>58,640</u>	\$ <u>161,656</u>	\$ <u>103,016</u>

Mitchell Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with
	3/31/08	3/31/08	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 21,000	\$ 21,000	\$ 70,520	\$ 49,520
Resources (Inflows)				
Taxes and fees	41,000	41,000	45,087	4,087
Federal grants	-	18,022	19,522	1,500
State grants	-	4,200	4,200	-
Charges for services	500	600	1,200	600
Interest and rentals	700	600	1,021	421
Other	6,500	4,800	2,746	(2,054)
Amounts available for appropriation	<u>69,700</u>	<u>90,222</u>	<u>144,296</u>	<u>54,074</u>
Charges to Appropriations (Outflows)				
Public safety	38,700	45,722	39,312	(6,410)
Capital outlay	10,000	30,000	29,458	(542)
Total charges to appropriations	<u>48,700</u>	<u>75,722</u>	<u>68,770</u>	<u>(6,952)</u>
Fund Balance - end of year	\$ <u>21,000</u>	\$ <u>14,500</u>	\$ <u>75,526</u>	\$ <u>61,026</u>

Supplemental Information

Mitchell Township
General Fund
Detail of Revenues - Budget and Actual
Year Ended March 31, 2008

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
TAXES:			
Property taxes	\$ -	\$ 31,095	\$ -
Property tax administration fee	-	21,051	-
TOTAL TAXES	50,000	52,146	2,146
LICENSES AND PERMITS			
Land use permits	1,000	840	(160)
FEDERAL GRANTS:			
Payments in lieu	6,000	11,305	5,305
STATE GRANTS:			
State shared revenue	-	27,077	-
Metro Act	-	3,194	-
Payments in lieu	-	-	-
TOTAL STATE GRANTS	28,000	30,271	2,271
INTERGOVERNMENTAL	5,100	-	(5,100)
CHARGES FOR SERVICES:			
Fire Department bookkeeping	-	2,400	-
Burials	-	1,250	-
Cemetery lots	-	-	-
TOTAL CHARGES FOR SERVICES	600	3,650	3,050
INTEREST AND RENTALS:			
Interest	3,500	6,863	3,363
Royalties	-	1,274	1,274
Township Hall rent	1,000	750	(250)
TOTAL INTEREST AND RENTALS	4,500	8,887	4,387
OTHER REVENUE			
Miscellaneous	7,000	8,131	1,131
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 102,200	\$ 115,230	\$ 13,030

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2008

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT:			
Township Board:			
Trustees salaries		\$ 2,800	
Deposit refund		50	
Dues & fees		1,052	
Printing & publishing		748	
Legal & accounting		965	
Insurance		3,876	
Retirement expense		3,021	
Payroll taxes		767	
Taxes paid to Alcona County		105	
Internet services		938	
Total	\$ 27,900	14,322	\$ 13,578
Supervisor:			
Salary		2,475	
Supplies		107	
Seminars		-	
Mileage		192	
Miscellaneous		-	
Total	4,200	2,774	1,426
Elections:			
Wages		525	
Seminars		120	
Software		426	
Supplies		105	
Mileage		59	
Miscellaneous		122	
Total	2,000	1,357	643
Assessor:			
Contracted services		25,600	
Supplies		526	
Software		420	
Postage		663	
Assessment roll		1,551	
Mileage		893	
Telephone		-	
Total	30,500	29,653	847

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2008

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT (Continued)			
Clerk:			
Salary - clerk		\$ 12,000	
Supplies		934	
Software		-	
Postage		175	
Seminars		220	
Mileage		300	
	<u>14,400</u>	<u>13,629</u>	<u>771</u>
Total	\$		\$
Board of Review:			
Wages		765	
Seminars		280	
Publications		220	
Mileage		45	
	<u>1,200</u>	<u>1,310</u>	<u>(110)</u>
Total			
Treasurer:			
Salary - treasurer		12,000	
Supplies		70	
Postage		1,250	
Annual unit processing		2,172	
Tax collection fee		4,200	
Mileage		122	
	<u>20,153</u>	<u>19,814</u>	<u>339</u>
Total			
Township Hall:			
Wages		703	
Supplies		687	
Equipment - non capitalized		497	
Equipment repairs		592	
Refuse removal		469	
Water servicing		316	
Mileage		164	
Electric		899	
Propane		3,150	
Telephone		687	
Mowing		1,080	
Snow plowing		775	
Other		180	
	<u>9,600</u>	<u>10,199</u>	<u>(599)</u>
Total			

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2008

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Cemetery:			
Sexton salary		\$ 200	
Mowing		1,640	
Grave opening & closing		1,050	
Total	\$ 3,200	2,890	\$ 310
TOTAL GENERAL GOVERNMENT	113,153	95,948	17,205
PUBLIC WORKS:			
Roads	500	-	500
Street Lighting	-	1,034	(1,034)
TOTAL PUBLIC WORKS	500	1,034	(534)
COMMUNITY/ECONOMIC DEVELOPMENT:			
Zoning:			
Salary	-	2,400	-
Member per-diem	-	385	-
NEMCOG master plan		8,940	
Fees	-	500	-
Seminars	-	197	-
Publications	-	-	-
Mileage	-	20	-
TOTAL COMM./ECON. DEVELOPMENT	20,100	12,442	7,658
RECREATION AND CULTURE:			
Parks:			
Septic		170	
Other		100	
Miscellaneous		183	
TOTAL RECREATION & CULTURE	400	453	(53)
OTHER			
Contingency	2,600	-	2,600
CAPITAL OUTLAY	4,000	2,588	1,412
TOTAL EXPENDITURES	\$ 140,753	\$ 112,465	\$ 28,288

Mitchell Township
Fire Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property Tax	\$ 41,000	\$ 45,087	\$ 4,087
Federal Grants	18,022	19,522	1,500
State Grants	4,200	4,200	-
Charges for services	600	1,200	600
Interest	600	1,021	421
Other revenue	<u>4,800</u>	<u>2,746</u>	<u>(2,054)</u>
Total Revenues	<u>69,222</u>	<u>73,776</u>	<u>4,554</u>
EXPENDITURES			
Public Safety - Fire Department			
Department Expenses			
Wages - vehicle maintenance		475	
Wages - equipment maintenance		110	
Wages - department meetings		680	
Wages - medical runs		915	
Wages - fire runs		2,325	
Wages - extended service		310	
Wages - bookkeeping		2,400	
Wages - records/grants		665	
Supplies		3,771	
Equipment repair		373	
Software update		110	
Dues		50	
Fees		200	
Insurance		10,835	
Seminars and meetings		93	
Radios repairs		340	
Mileage		160	
Fuel		755	
Printing and publishing		293	
Repairs - vehicles		<u>2,679</u>	
Total Department Expenses	<u>28,622</u>	<u>27,539</u>	<u>1,083</u>
Fire Chief Expenses			
Salary		3,000	
Supplies		60	
Postage		20	
Mileage		<u>132</u>	
Total Fire Chief Expenses	<u>3,600</u>	<u>3,212</u>	<u>388</u>

Mitchell Township
Fire Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Public Safety - Fire Department (continued)			
Assistant Fire Chief Expenses			
Salary	\$	\$ 1,500	\$
Mileage		315	
Total Assistant Fire Chief Expenses	<u>2,000</u>	<u>1,815</u>	<u>185</u>
Buildings and Grounds Expenses			
Wages - building maintenance		230	
Supplies		52	
Equipment repair		275	
Mowing		320	
Snow removal		785	
Electricity		645	
Telephone		662	
Propane		2,677	
Other		319	
Total Buildings and Grounds Expenses	<u>7,500</u>	<u>5,965</u>	<u>1,535</u>
Staff Expenses			
Social security		633	
Medicare		148	
Total Staff Expenses	<u>4,000</u>	<u>781</u>	<u>3,219</u>
Total Public Safety	<u>45,722</u>	<u>39,312</u>	<u>6,410</u>
Capital Outlay	<u>30,000</u>	<u>29,458</u>	<u>542</u>
Total Expenditures	<u>75,722</u>	<u>68,770</u>	<u>6,952</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,500)	5,006	11,506
FUND BALANCE - April 1	<u>21,000</u>	<u>70,520</u>	<u>49,520</u>
FUND BALANCE - March 31	\$ <u>14,500</u>	\$ <u>75,526</u>	\$ <u>61,026</u>

Mitchell Township
Statement of Changes in Assets and Liabilities
All Agency Funds
March 31, 2008

Current Tax Collection Fund				
	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Assets				
Cash	\$ <u>92,024</u>	\$ <u>1,982,265</u>	\$ <u>1,983,380</u>	\$ <u>90,909</u>
Liabilities				
Due to other funds	\$ 86,010	\$ 89,838	\$ 84,939	\$ 90,909
Due to county	1,199	679,996	681,195	-
Due to schools	4,815	1,212,211	1,217,026	-
Refunds	<u>-</u>	<u>220</u>	<u>220</u>	<u>-</u>
Total liabilities	\$ <u>92,024</u>	\$ <u>1,982,265</u>	\$ <u>1,983,380</u>	\$ <u>90,909</u>



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

August 4, 2008

Township Board
Mitchell Township
Alcona County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Mitchell Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPA's, P.C.
Certified Public Accountants
Mio, Michigan